WALGREEN CO. ANNUAL REPORT 1971

Walgreen Co.

GENERAL OFFICES
4300 Peterson Avenue, Chicago, Illinois 60646

TRANSFER AGENTS:
The First National Bank of Chicago
Morgan Guaranty Trust Company, New York

REGISTRARS:
Harris Trust and Savings Bank, Chicago
First National City Bank, New York

HIGHLIGHTS OF 1971:

	1971	1970	%
SALES	$817,486,642	$743,592,093	+ 9.9
EARNINGS before income taxes	18,209,213	15,959,429	+14.1
NET EARNINGS	10,601,213	9,402,429	+12.7
PER SHARE OF COMMON STOCK:			
NET EARNINGS			
—assuming no dilution*	$ 1.65	$ 1.48	
—assuming full dilution*	1.59		
DIVIDENDS PAID	1.00	1.00	
SHAREOWNERS' EQUITY	15.99	15.32	

**Please refer to Note 6, page 17*

YOUR DECEMBER 13, 1971 DIVIDEND will mark the *156th* consecutive quarterly dividend paid by Walgreen Co.

FOCUS ON WALGREEN CO.

FOUNDED IN 1901, Walgreens operates a diversified total of 618 retail units in 34 states and Puerto Rico. In addition to such facilities as physical distribution centers, ice cream plants, commissaries, photo studios, service departments and offices, ITS MAJOR OPERATIONS ARE:

December 10, 1971

TO OUR SHAREOWNERS:

In fiscal 1971, our sales rose to a new high of $817,486,642, 9.9% over 1970 volume. Earnings improved 12.7% to $10,601,213, or $1.65 per share, compared to $1.48 in 1970.

While the 12.7% profit growth was attained in a year of recession and rising costs, it was nevertheless short of our objectives. We have the following reasons to believe we will deliver further improvement in 1972:

Through continuous expansion, our capacity for *sales* is greatly increased. We are in excellent position to capitalize on any upturn in the national economy.

Company-wide *cost control* measures—applied in stores, offices, plants—are only beginning to benefit our profit structure. These controls will be firmly maintained and will increasingly contribute to our earnings growth in 1972.

In our drug stores, while maintaining a strong drug base, we have further diversified our *merchandising* mix for added profitability. Also, through a now fully developed *central pricing* system, management holds a firmer grip on pricing policy—and gross margins—in every store chainwide.

In recent years we negotiated a number of *leases*—at very favorable rentals—in shopping centers which were developed before surrounding communities had matured. Now many of these leases have us in position to profit from our early entry. Under today's circumstances, however, our expansion is on a highly selective basis, demanding both maximum potential and early returns from each new location.

Our *Globe* department store division encountered costly competitive confrontations in a number of markets in 1971. Result: lower profits. But these well-entrenched stores hold strong market position, and the outlook again is good for the near and long term.

We are well aware that to counter today's cost trends, we must attain increased productivity. Therefore, our *personnel-training* programs have been intensified and broadened to gain greater effectiveness in every store and department, at all levels of responsibility.

Consumerism: Here is an outside force that spotlights the thing we do best—delivering better quality at lower price. Value-measuring customers are giving new momentum to our discount pricing program, and helped us to a 1971 sales increase of 27% in products we manufacture.

To sum it up, the very difficulties of the times have developed new strength in our operation, new potential in our future.

While we are optimistic about the general economy in 1972, we intend to hold to an aggressive marketing stance, to generate greater sales, to keep the lid on expenses . . . and to let any improvement in the business climate add extra progress to a sound operation.

We have the people, the programs, the momentum. Walgreen Company is going to have a very good 1972.

Sincerely,

C. R. Walgreen III

President

OUR WARM GOOD WISHES and THANKS FOR A JOB WELL DONE to

C. R. Walgreen, Jr.

In his 46-year company career, he provided inspiring leadership for 24 years as President and 8 years as Chairman of the Board.

He kept Walgreens vigorous, enterprising, always growing. He achieved change; he preserved traditions of service to community.

His energies and dedication also reached outward to contribute to the advancement of Pharmacy, and to the betterment of society.

His record of service—as a man, businessman, citizen—is one that employees, friends, and associates all share pride in . . .

We are pleased to say Mr. C. R. Walgreen, Jr. continues to serve your company, as an advisor and as chairman of Board of Directors' meetings.

FOCUS on WALGREENS:

FOCUS on GLOBE:

EVERY WALGREENS IS A DRUG STORE AND MORE, BUT FIRST A DRUG STORE...

Our stores continue to grow in size as we expand present departments and diversify into new higher-margin merchandising areas. But it is the basic central core of health-beauty-everyday living needs that gives each Walgreens a fundamental business stability, good times or bad. It is as *drug stores* that we perform best, as *complete* drug stores that we gain invaluable identity for *service* to the community.

1971: 32 new drug stores opened, including 3 Super Centers and 6 replacements of previous stores. 20 stores closed. 9/30/71 total, 561 . . . of which 33% were opened within the past *five* years.

Focus on customer confidence: Our high-standard, low-cost prescription service wins us millions of customers. Serving each customer well . . . as R.Ph. Dennis Dahlberg does here . . . keeps them.

TWO 1971 OPENINGS EXPAND GLOBE CHAIN TO 23 STORES

Our latest Globes, Galveston, Tex. and Whitehaven (Memphis) Tenn., combined with five 1970 openings, add up to a 44% expansion of this retail group in two years. Globe produced over $131 million dollars in sales in fiscal 1971, 16% of our company total. With maturing of these newer stores, we anticipate substantial further gains.

Full-line discount department stores, averaging 100,000 sq. ft., these "one-stop shopping centers" round out their customer appeal with 600-car parking. Concentration within prime south-southwest markets provides maximum efficiency and economy in distribution, advertising, management.

Focusing on point of sale, Globe's General Merchandising Manager A. J. Ginsberg (left) and Pasadena (Houston) Store Manager G. Thanos plan the constant display changes that generate repeat traffic.

FOCUS on FOOD SERVICE:

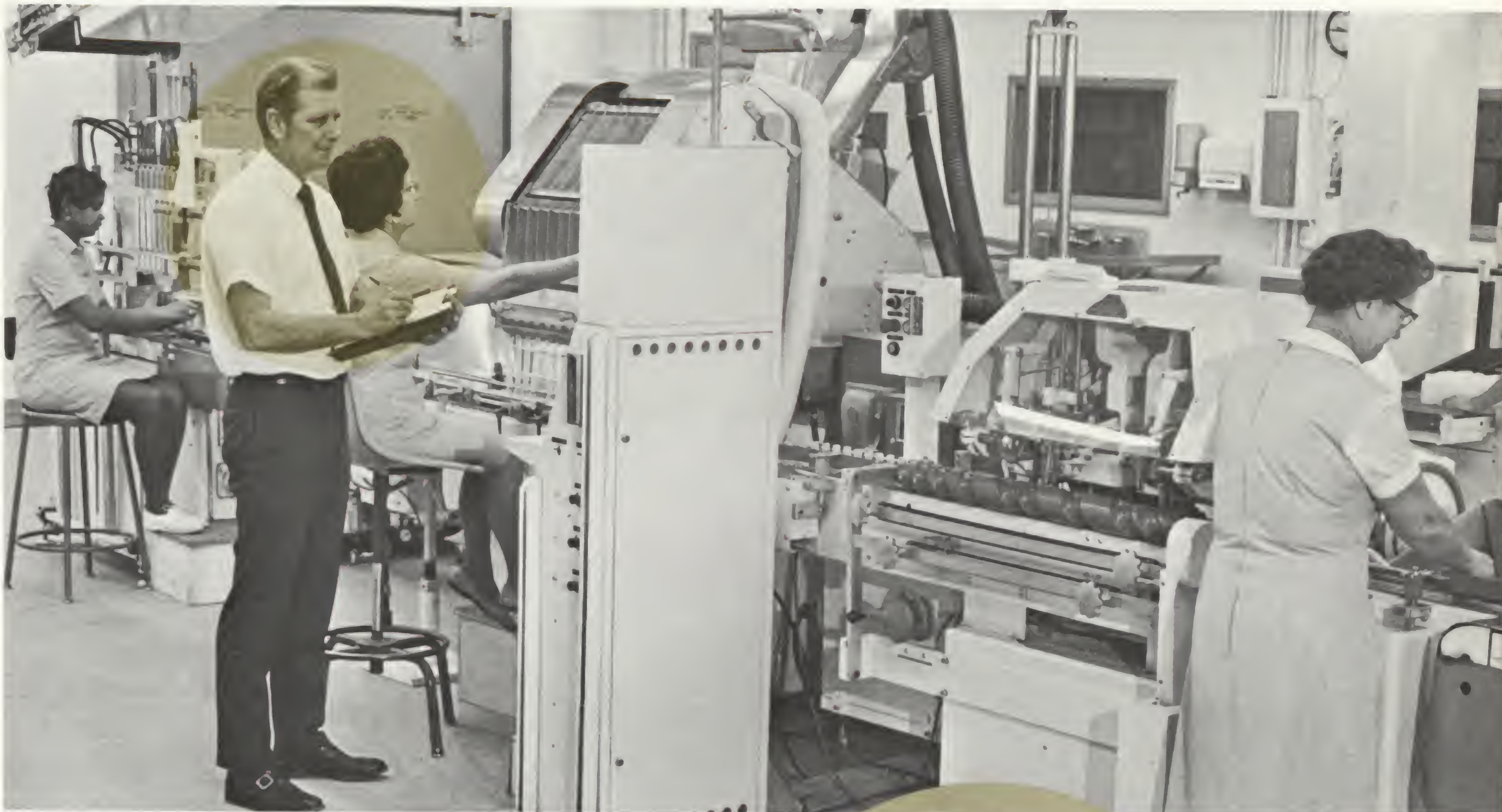
EXPANSION UNDERWAY: MORE FULL-MENU RESTAURANTS

Successful tests with prototypes of free-standing restaurants like the spacious, smartly-designed *Robin Hood* luncheon-cocktail-dining place above, have led the way now to broadened growth plans. Two new additions in 1971 will be followed with seven more in 1972. Meanwhile, due to apparent market-saturation in the fast-food field, we are curtailing expansion of our *Corky's* restaurants.

At year-end we were operating 29 varied restaurants in addition to our major enterprise, the 281 Walgreen restaurants within or adjacent to 50% of our drug stores. Overall, our rising food volume contributed 8.8% of total 1971 Walgreen store sales, and ranks Walgreens in the national top 30 in company-owned retail food service.

Take a good location, good atmosphere, good food. That's for starters. Here Robin Hood Manager John Russo focuses on the vital extra ingredient for success—: Good service.

FOCUS on MANUFACTURING:



WALGREEN PRODUCT SALES TAKE 27% JUMP IN 1971

Our large Chicago-located research laboratory and manufacturing plant produces over 400 Walgreen products—drugs, vitamins, prescription pharmaceuticals, toiletries, household items. Marketed nationally through 2,386 Walgreen, Globe, and Walgreen Agency drug stores, they provide extra profitability to our Company, extra value to our customers.

Current annual production of 30 million units approximates a $30 million dollar volume at retail, with substantial profit margin. These all-time high figures will be eclipsed in 1972 as Consumerism gives us a strong assist in making more and more customers aware of the price and quality advantages of our own fine merchandise brands. We unreservedly recommend Walgreen products to our shareowners, for "When *Walgreens* name is on it, *quality* is in it."

The focus is on production as Plant Superintendent Herb Papenbrok surveys vitamin bottling operation. Automatic tablet counter and filler processes over 100 bottles per minute.

FOCUS on FRANCHISE DIVISION:

WALGREEN AGENCY STORES— THEY'RE BIGGER, BETTER

These independently-owned drug stores, over 1800 strong, broaden the national distribution of our Walgreen product lines to hundreds of added markets to greatly expand our manufacturing scope.

Benefiting from Walgreen techniques in store design, merchandising and advertising, as well as the competitive advantages of our exclusive private label products, they are among the most progressive drug merchants in the nation.

Over the past several years, we have concentrated on franchising larger, stronger, volume-oriented operations, and this selectivity has resulted in annually increasing sales of Walgreen products. They are truly our "Partners in Progress."

Focusing in on Walgreen Product sales is Marty Stein (left), owner of 5 Walgreen Agency drug stores, who views sales-promotion piece with our Agency Regional Sales Director, Ray A. Erickson.

FOCUS on MANAGEMENT:

Members of the Executive Committee:

(left to right)

Robert L. Schmitt, *Vice President, Store Operations*

Mirrel R. Kephart, *Vice President, Agency, Manufacturing*

Cecil R. Campbell, *Vice President, Finance*

Charles R. Walgreen III, *President*

James Mitchell, *Vice President, Marketing*

THE EXECUTIVE COMMITTEE... AN EYE ON TOMORROW

Long-range planning outlines our corporate purpose and policies, but it takes continuous adapting of plans to be responsive to today's changes, ready for tomorrow's opportunities. This day-to-day decision-making, as well as periodic company performance reviews, is the agenda for regularly scheduled Executive Committee meetings.

Overall, our top 10 management people are mature in experience, relatively young in years. Average age is 50; company service, 24 years. A good mix for leadership of an aggressive, growing company.

And, on the subject of management, a quote . . . . :

". . . a strength that gives us a real competitive edge is the quality of our middle management—District Managers, Store Managers, department heads, specialists. Here we have outstanding expertise, leadership, loyalty . . .

It is this strength through the middle that brings out the best performance from all of our employees, that puts real muscle and momentum into Walgreens . . ."

—from a talk by C. R. Walgreen III, New York, Feb. 10, 1971

FOCUS ON:

FINANCIAL

- **PHARMACY:** Walgreen Pharmacists now filling prescriptions at rate of over 25 million a year . . . we are *"Number One Pharmacists to the Nation."*

- **GENERICS:** Walgreen Laboratory producing number of selected prescription pharmaceuticals to assure our pharmacies dependable quality at low cost when doctors prescribe "generic."

- **OPERATION RENEW:** Constant remodelings—152 in past 5 years—keep stores new, productive. 1972 plans call for additional *fifty* major remodelings.

- **SUPER CENTERS:** These king-size Walgreen drug stores, ranging 20,000 to 40,000 sq. ft. overall, now number 28, an increase of 11 in two years. Outlook: More to come when locations justify investment.

- **SANBORNS:** Our highly successful Mexican affiliate (49% Walgreen-owned) currently operates 17 retail stores and restaurants, plus manufacturing and wholesaling operations. Most recent additions — Diana (Mexico City), 7/71; Satélite (Mexico City), 10/71; Cuauhtémoc (Mexico City), 11/71. Coming in 1972, a second Sanborns for Acapulco.

- **INTERNATIONAL TRAVEL SERVICE:** Our recently-acquired travel agency, Chicago-based, experiencing "excellent year" . . . aiming for further growth via promotion of tour packages for organizations and sales-incentive programs.

10 YEAR PERFORMANCE SUMMARY

YEAR ended Sept. 30	NET SALES and other store income	EARNINGS BEFORE TAXES	STATE & FEDERAL INCOME TAXES	NET EARNINGS	CASH DIVIDENDS PAID	PER SHARE NET EARNINGS(2)	PER SHARE DIVIDENDS PAID(3)	PER SHARE SHARE-OWNER'S EQUITY(4)
	IN THOUSANDS OF DOLLARS					IN DOLLARS		
1971	**$817,487**	**$18,209**	**$7,608**	**$10,601**	**$6,414**	**$1.65**	**$1.00**	**$15.99**
1970	743,592	15,959	6,557	9,402	6,371	1.48	1.00	15.32(5)
1969	672,886	21,708	9,595	12,113	6,353	1.91	1.00	14.63
1968	622,845	20,558	9,211	11,347	5,718	1.79	.90	13.73
1967	559,425	20,789	8,400	12,389	4,616	1.95	.70	12.84
1966	501,616	18,331	7,738	10,593	4,284	1.67	.65	11.62
1965	432,511	13,715	5,700	8,015	3,707	1.30	.60	10.56
1964	391,326	12,277	5,150	7,127	3,083	1.16	.50	9.86
1963	366,748	11,133	5,105	6,028	2,451	.98	.40	9.21
1962	353,144	11,478	5,500	5,978	2,573(1)	.98	.40(1)	8.66

(1) Plus payment of 3% stock dividend.

(2) Based on weighted average number of common shares outstanding during the year, adjusted for effect of two-for-one stock splits in 1967 and 1963 and 3% stock dividend paid in 1962. In 1971 net earnings per share, assuming full dilution, were $1.59. See Note 6 to Consolidated Financial Statements on page 17 of this report.

(3) Adjusted for two-for-one stock splits in 1967 and 1963.

(4) Based on common shares outstanding at year-end, adjusted for effect of stock splits and stock dividends.

(5) Restated to reflect the equity method of accounting. See Note 1 to Consolidated Financial Statements on page 16 of this report.

10-YEAR GROWTH CHART (RETAIL STORES, RESTAURANTS)

YEAR ended Sept. 30	NEW-UNIT OPENINGS	MAJOR REMODELINGS	CLOSINGS or REPLACEMENTS	YEAR-END TOTALS	SQ. FT. NET SALES AREA (millions)
1971	**38**	**36**	**33**	**618**	**6.08**
1970	54	34	29	613	5.73
1969	53	38	17	588	5.19
1968	45	25	25	552	4.80
1967	37	19	26	532	4.37
1966	48	18	23	521	3.98
1965	35	25	19	496	3.50
1964	24	21	23	480	3.14
1963	23	23	22	479	2.94
1962	41	18	32	478	2.85

Consolidated Statements of Earnings and Retained Earnings

For the Years Ended September 30, 1971 and 1970

WALGREEN CO. AND SUBSIDIARIES

EARNINGS

	1971	1970
NET SALES AND OTHER STORE INCOME	$817,486,642	$743,592,093
COSTS AND DEDUCTIONS:		
Cost of sales	592,787,081	538,825,631
Selling, occupancy and administration	201,118,397	183,726,676
Contribution to Employees' Profit-Sharing Retirement Trust	2,185,105	1,915,131
Interest expense, net	3,186,846	3,165,226
Federal and state income taxes (including deferred taxes of $953,000 in 1971 and $1,211,000 in 1970)	7,608,000	6,557,000
	806,885,429	734,189,664
NET EARNINGS	$ 10,601,213	$ 9,402,429
NET EARNINGS PER COMMON SHARE (Note 6)		
Assuming no dilution	$ 1.65	$ 1.48
Assuming full dilution	$ 1.59	

RETAINED EARNINGS

	1971	1970
BALANCE, beginning of year, as previously reported	$ 72,353,954	$ 69,322,957
Excess of the Company's share of the underlying book value over the cost of investments in the common stock of companies for which the equity method of accounting has been adopted (Note 1)	1,189,629	1,189,629
As restated	73,543,583	70,512,586
Amount arising through pooling of interests (Note 1)	39,924	—
Net earnings	10,601,213	9,402,429
Cash dividends:		
Walgreen Co. ($1.00 per share in 1971 and 1970)	(6,413,513)	(6,371,432)
Dividends of acquired company prior to acquisition (Note 1)	(44,566)	—
BALANCE, end of year	$ 77,726,641	$ 73,543,583

The accompanying notes to consolidated financial statements are an integral part of the above statements.

Consolidated Statement of Changes in Financial Position

For the Years Ended September 30, 1971 and 1970

WALGREEN CO. AND SUBSIDIARIES

	1971	1970
WORKING CAPITAL PROVIDED FROM OPERATIONS:		
Net earnings	$10,601,213	$ 9,402,429
Add or (deduct) items which do not use or (provide) working capital—		
Depreciation and amortization	6,658,242	6,054,094
Excess of equity income in investments over dividends received	(502,591)	(534,751)
Deferred income taxes	953,000	1,211,000
	17,709,864	16,132,772
OTHER SOURCES AND (APPLICATIONS) OF WORKING CAPITAL:		
Additions to property and equipment	(12,885,607)	(10,970,506)
Cash dividends paid	(6,413,513)	(6,371,432)
Increase or (decrease) in long-term debt—		
Issuance of 5½% Convertible Subordinated Debentures	30,000,000	—
Increase or (retirement) of interim loan notes	(25,000,000)	10,750,000
(Decrease) in other long-term bank loans and mortages payable	(1,193,173)	(1,177,475)
Sale of common stock under employee stock purchase plans (15,735 shares in 1971; 47,338 shares in 1970) (Note 5)	384,351	897,657
Other, net	98,091	(540)
Net increase in working capital	$ 2,700,013	$ 9,260,476
ANALYSIS OF NET INCREASE IN WORKING CAPITAL:		
Increase or (decrease) in cash	$ (3,459,559)	$ 1,710,848
Increase in receivables	715,513	3,946,410
Increase in inventories	14,183,202	7,703,985
Increase in prepaid rent, insurance, taxes, etc.	548,380	470,658
(Increase) in current notes payable	(3,000,000)	(700,000)
(Increase) in other current liabilities	(6,287,523)	(3,871,425)
	$ 2,700,013	$ 9,260,476

The accompanying notes to consolidated financial statements are an integral part of the above statement.

CONSOLIDATED BALANCE SHEET

WALGREEN CO. AND SUBSIDIARIES

ASSETS

	September 30 1971	September 30 1970
CURRENT ASSETS:		
Cash	$ 7,872,108	$ 11,331,667
Accounts receivable, less reserves of $1,020,000 in 1971 and $1,114,000 in 1970 for doubtful accounts	16,524,648	15,809,135
Inventories, at the lower of average or FIFO cost or market, less reserves	137,054,503	122,871,301
Prepaid rent, insurance, taxes, etc.	3,123,382	2,575,002
TOTAL CURRENT ASSETS	164,574,641	152,587,105
INVESTMENTS IN OTHER COMPANIES:		
Stated at underlying book values (Note 1)	4,715,417	4,212,826
Stated at cost (equity in underlying book values, or market values $6,089,000 in 1971 and $5,070,000 in 1970)	326,069	328,802
TOTAL INVESTMENTS IN OTHER COMPANIES	5,041,486	4,541,628
PROPERTY AND EQUIPMENT, at cost:		
Land	5,512,431	2,487,212
Buildings including improvements to leased properties	14,999,461	13,897,252
Equipment	85,028,836	78,203,542
	105,540,728	94,588,006
Less—Reserves for depreciation and amortization	40,635,093	35,909,736
NET PROPERTY AND EQUIPMENT	64,905,635	58,678,270
GOODWILL, at nominal value	1	1
	$234,521,763	$215,807,004

LIABILITIES

	September 30 1971	September 30 1970
CURRENT LIABILITIES:		
Notes payable	$ 6,200,000	$ 3,200,000
Current maturities of long-term debt	1,193,173	1,177,475
Trade accounts payable	43,070,541	40,384,811
Accrued expenses and other liabilities	22,300,027	19,599,647
Federal and state income taxes	2,893,821	2,008,106
TOTAL CURRENT LIABILITIES	75,657,562	66,370,039
LONG-TERM DEBT, less current maturities shown above (Note 2):		
Notes payable to banks	11,375,000	37,250,000
5½% Convertible Subordinated Debentures due March 1, 1991	30,000,000	—
Mortgages payable	7,646,897	7,965,070
TOTAL LONG-TERM DEBT	49,021,897	45,215,070
DEFERRED FEDERAL INCOME TAXES (arising from accelerated depreciation and excess of equity income in investments over dividends received)	7,096,000	6,143,000
SHAREOWNERS' EQUITY:		
Common stock, $2.50 par value; authorized 10,000,000 shares; issued and outstanding 6,427,238 in 1971 and 6,400,222 in 1970, at stated value (Notes 1 and 5)	25,019,663	24,535,312
Retained earnings (Notes 1 and 2)	77,726,641	73,543,583
TOTAL SHAREOWNERS' EQUITY	102,746,304	98,078,895
	$234,521,763	$215,807,004

The accompanying notes to consolidated financial statements are an integral part of the above balance sheet.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) PRINCIPLES OF CONSOLIDATION: The consolidated statements include the accounts of the Company and all subsidiaries.

In accordance with Opinion #18 of the Accounting Principles Board of the American Institute of Certified Public Accountants, the Company has adopted the equity method of accounting for its investments in the common stock of the following companies:

NAME OF COMPANY	% OWNERSHIP OF COMMON STOCK
Sanborn Hermanos, S. A.	49.5%
Sanborn's Monterrey, S. A.	49.5%
Myers Industries, Inc.	100% of Class B Common
LSF, Myers Industries, Inc.	100% of Class B Common
Lincoln, Myers Industries, Inc.	100% of Class B Common
Lundia, Myers Industries, Inc.	100% of Class B Common

The Articles of Incorporation, as amended, of each of the four Myers companies specify that the Class B shareholders are entitled to 34% and the Class A shareholders are entitled to 66% of each of the Myers companies voting rights, equity and earnings or losses. The financial statements for the prior year have been restated to reflect the equity method of accounting for all of these companies.

During the year ended September 30, 1971, the Company acquired all of the capital stock of International Travel Service, Inc. in exchange for 11,281 shares of its previously unissued common stock. This transaction has been accounted for as a pooling of interests and resulted in an increase of $100,000 in the stated value of the Company's common stock. However, because the amounts are immaterial, the financial statements for the prior year have not been restated to reflect this transaction. International Travel Service, Inc. maintained its accounts on a calendar year basis and filed its Federal income tax returns under the provisions of Subchapter S of the Internal Revenue Code. Dividends paid in 1971, prior to acquisition, were not in excess of retained earnings at December 31, 1970.

(2) LONG-TERM DEBT: The 4¾% notes payable to banks are due in annual principal installments of $875,000 through 1974 and $9,625,000 in 1975.

The 5½% Convertible Subordinated Debentures, issued as of March 1, 1971, are convertible into common shares at any time prior to maturity or redemption at the rate of 31 shares per $1,000 principal amount. At September 30, 1971, 930,000 common shares were reserved for such conversions. The debentures are subordinated to all indebtedness for money borrowed or guaranteed by the Company, purchase money indebtedness or indebtedness secured by property at the time such property was acquired. At the Company's option, the debentures are redeemable at premiums ranging from 105.5% in 1971 to par in 1990. Beginning in 1982 sinking fund payments of not less than 10% nor, at the Company's option more than 20%, of the total principal amount outstanding will be required. As of September 30, 1971, no debentures have been converted into common shares of the Company.

Under the most restrictive covenants of the bank loan agreement and the bond indenture (a) $68,095,777 of consolidated retained earnings at September 30, 1971 is not available for payment of cash dividends, or for repurchase of the Company's stock, and (b) consolidated net current assets must be at least $25,000,000. Consolidated net current assets, as defined, were $89,821,353 at September 30, 1971.

At September 30, 1971, the Company had mortgages payable on certain store and warehouse properties at interest rates ranging from 4⅞% to 5¾%. These mortgages provide for monthly payments of principal and interest and become fully paid during the years 1982 to 1993. The annual payments including interest for each of the next five years amount to $712,076.

(3) LEASE OBLIGATIONS: At September 30, 1971, the Company and its subsidiaries had 497 leases expiring more than three years after that date (some of which contain percentage rental clauses) with minimum annual rentals of approximately $16,712,000.

(4) DEPRECIATION: Depreciation has been provided by the companies on the straight-line method at rates considered adequate to amortize the cost of property and equipment over their estimated useful lives.

(5) CAPITAL STOCK: As of September 30, 1971, 436,927 shares of common stock were reserved for issuance under Employee Stock Purchase Plans which were approved by the shareowners on January 14, 1970.

There are authorized 1,000,000 shares of a $1 per share par value preferred stock issuable in series. The rights of this preferred stock as to dividends, redemption and liquidation will be determined when, as and if issued.

(6) NET EARNINGS PER COMMON SHARE: Net earnings per common share, assuming no dilution, were computed in both years using the weighted average number of shares outstanding during each year. Net earnings per common share, assuming full dilution, were computed on the assumption that the 5½% Convertible Subordinated Debentures were converted into 930,000 shares of the Company's common stock as of March 1, 1971 and that the related interest expense net of its effect upon profit sharing and income taxes was eliminated.

AUDITORS' REPORT

ARTHUR ANDERSEN & CO.
CHICAGO, ILLINOIS

To the Board of Directors
and Shareowners of Walgreen Co.:

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARIES as of September 30, 1971 and 1970, and the related consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Walgreen Co. and Subsidiaries as of September 30, 1971 and 1970, and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Chicago, Illinois
November 4, 1971.

Arthur Andersen & Co.

DIRECTORS

ALVIN A. BORG
CECIL R. CAMPBELL
JOHN E. JEUCK
MIRREL R. KEPHART
JAMES MITCHELL
CHARLES W. MULANEY
ARTHUR C. NIELSEN, JR.
SOL S. RAAB
ROBERT L. SCHMITT
CHARLES R. WALGREEN III
CHARLES R. WALGREEN, JR.

OFFICERS

CHARLES R. WALGREEN III, PRESIDENT

WALLACE L. ALSTRIN
VICE PRESIDENT
Assistant to President

CECIL R. CAMPBELL
VICE PRESIDENT
Financial

H. RICHARD DREWS
VICE PRESIDENT
Employee Relations, Personnel

MIRREL R. KEPHART
VICE PRESIDENT
Agency Division, Manufacturing

JOHN E. KLOCKE
VICE PRESIDENT
Drug Store Operations

JAMES MITCHELL
VICE PRESIDENT
Marketing

ROBERT L. SCHMITT
VICE PRESIDENT
Store Operations

ROBERT J. TELFER
VICE PRESIDENT
Store Merchandising

WILLIAM J. WIENKE
VICE PRESIDENT
Real Estate, Engineering & Equipment

THOMAS J. BARTON
SECRETARY

HAROLD W. BECKER
GENERAL AUDITOR

L. ALAN CROTTY
ASSISTANT CONTROLLER

JAMES A. DAVLIN
TREASURER

CHARLES D. HUNTER
CONTROLLER

N. EDWARD NILSSON
ASSISTANT TREASURER

EDWARD J. ROUBIK
ASSISTANT SECRETARY

SYLVIA SOMMERS
ASSISTANT SECRETARY

NORBERT P. STARSHAK
ASSISTANT SECRETARY

ARTHUR W. TRAUTMAN
ASSISTANT CONTROLLER,
ASSISTANT SECRETARY

FOCUS on COMMUNITY SERVICES

(right)

"Can't is a word they can't hear" says Cincinnati Restaurant Manager *Jerry Whitmer* of deaf students who joined his staff as part of Board of Education program to develop abilities and experience of handicapped young people. All went *very* well!

(below)

Many Walgreen people turn their business talents to guidance of youngsters in Junior Achievement programs. Giant bunny costume was promotional hit of Walgreen-sponsored "Odds-and-Ends Co." Youngster (under rabbit's chin) gets real bunny hug!

(above)

"Drugs that turn you on may turn on you" was catchline of our drug-abuse display which rated County Health Fair's "outstanding exhibit" award. Accepting are *Paul Chan,* R.Ph. (center) and *Jim Thornton,* R.Ph. (right) our Concord, Cal. store manager.

(left)

James Rucker, Administrative Assistant in Store Operations, appears on Educational TV show "Our People," to discuss Walgreens widely-commended program to promote sales of drug store products manufactured by minority businesses.

WE DEDICATE THIS PAGE TO ALL OF OUR WALGREEN PEOPLE

. . . who, with active concern for human and social values, give of their time and talent and hearts to *benefit people.* They do us proud!